



Land Value Taxation:

Policy Recommendation Key Points for Residents

What is Land Value Taxation?

The property tax is actually two separate taxes: one on buildings, the other on land. The land value tax (LVT) is a modified and improved form of the property tax that decreases the building tax and increases the land tax. It is currently used in many cities across Pennsylvania.

This can easily be done in Reading because the county assesses buildings and land separately, so all that is necessary is a reduction on the building rate and an increase on the land rate. This can be done in a revenue-neutral way, or can be designed to raise additional revenue for the city's budget, often by replacing other taxes.

Key Policy Benefits

1. LVT decreases speculation on valuable properties through higher holding costs, pressuring income-yielding improvements or selling off. All vacant properties will see a tax increase.
2. LVT provides an economically neutral tax shift opportunity to phase out the real estate transfer tax without losing overall revenue.
3. LVT provides a universal, automatic, permanent, and retroactive improvement abatement to all property owners, with no complicated bureaucracy (vs. LERTA).
4. LVT supports affordable housing by lowering loan capitalization costs and increasing the supply of properties in the market.
5. LVT provides long-term investment incentives to developers by reducing tax burden and freeing up money for higher quality capital spending.
6. LVT heavily taxes vacant and blighted properties, the existence of which depresses surrounding property values and attracts crime and blight.
7. LVT is the only tax that promotes smart growth principles by redeveloping urban cores and discouraging suburban sprawl.
8. LVT can be enacted along with homestead exemptions, and extreme hardships can be prevented through property tax deferrals, which freeze tax burden until time of sale.
9. LVT works best with regular reassessments, which helps keep the real estate market functioning at optimal levels, but can work with current building and land values, too.

10. LVT would strengthen a land bank by both directing vacant land into the land bank and incentivizing land development projects.

Key Policy Impacts

1. Almost all apartments and industrial properties save under LVT.
2. Nearly half of all owner-occupied properties (46%) save under LVT; 28% pay more than \$10, and only 5% pay more than \$50 in the first year.
3. Nearly every large commercial or industrial site over \$500,000 saves, including all major new development projects.
4. Key Market Value Analysis priority areas, including Centre Park and College Heights, do extremely well under LVT.
5. The flagship CORE property, 737 N. 4th St, drops from \$1,209 to \$505 in five years, an almost 60% reduction in tax burden.

Implementation Action Steps

1. Adopt LVT for 2014, starting with a 20% reduction on the building tax rate.
2. Phase in additional building tax rate reductions through 2018, until the building rate is eliminated.
3. Establish a property tax deferral program for extreme hardship cases.
4. Phase out other taxes, such as the business privilege tax and the real estate transfer tax.
5. Lobby Harrisburg to allow the school district to adopt LVT, which would double the overall impact of the policy.

More information will be published online at www.readingpa.org/lvt beginning September 9th, 2013. You will be able to search for properties by owner and street address. For specific questions, please contact Eron Lloyd at eron.lloyd@readingpa.org or 610-655-6584.